

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6307

BILL NUMBER: HB 1048

NOTE PREPARED: Nov 24, 2004

BILL AMENDED:

SUBJECT: TRF and PERF Military Service Credit.

FIRST AUTHOR: Rep. Kersey

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill awards up to four years of service credit to Public Employees' Retirement Fund (PERF) or Teachers' Retirement Fund (TRF) members who serve honorably on active duty in the United States armed services. It requires a PERF or TRF member to have at least ten years of creditable service before the member may claim the service credit.

Effective Date: July 1, 2005.

Explanation of State Expenditures: *TRF:* There are no specific data concerning the number of teachers who would be affected by this change. The additional liability generated would be approximately \$5,149 per person affected. The actual increase in annual payout cost will depend upon the number of teachers affected, their military service, their age, and accrued TRF service characteristics. The fund affected is the state General Fund.

PERF: The additional costs to the state and local units with PERF-covered employees will depend upon the number, the age, and the salary level of employees eligible for the military service credit. The actuary for PERF has estimated that the value of one year of PERF service for those age 50 and above is approximately 10% of the person's salary. In July 2003, the average annual salary for PERF-covered members at the state level amounted to \$30,138. This would mean that four years of credit would amount to approximately \$12,055 per person affected. The funds affected are the state General Fund (55%), or \$6,630, and various dedicated funds (45%), or \$5,425. These percentage splits represent the amount these funds contribute to personal services in the state budget.

Explanation of State Revenues:

Explanation of Local Expenditures: *TRF:* There are no specific data concerning the number of teachers who would be affected by this change. The 1996 TRF Plan (New Plan) is actuarially funded with a level percent of payroll, currently 9%. It is unlikely that this bill will require an increase in the current level percent of payroll.

PERF: In July 2003, the average annual salary for PERF-covered members at the municipal level amounted to \$27,173. This would mean that four years of credit would amount to approximately \$10,869 per person affected.

Explanation of Local Revenues:

State Agencies Affected: Teachers' Retirement Fund; Public Employees' Retirement Fund.

Local Agencies Affected: School corporations; Those units with members in PERF.

Information Sources: Gabriel Roeder Smith & Co., actuaries for TRF, 1-800-521-0498; Doug Todd of McCready & Keane, Inc., actuaries for PERF, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITION

Actuarial Funding Method: Any of several techniques that actuaries use in determining the amounts and incidence of employer contributions to provide for pension benefits.